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FOREIGN AGRICULTURE

September 6, 1971

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Denmark on the EC's Doorstep

Seesaw in U.S.-Canadian Meat Trade

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Hereford cow and calf, part of the beef herd that Canada is trying to rebuild and expand. This effort has led to some unusual shifts in Canadian-U.S. trade. See story beginning on page 6.

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Production of both dairy products and grains are expected up in Denmark if the country joins the Common Market. Below, packaging blue cheese for the export market; far right, the harvesting of a grain field.

Common Market Benefits Lure Danish Farmers Toward EC Membership

by MARSHALL H. COHEN
Foreign Regional Analysis Division
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Certain branches of Denmark's farm industry are expected to expand with membership in the European Community (EC), creating a favorable market potential for several U.S. agricultural products. Benefits anticipated by Danish farmers are among the factors that have established a climate generally favoring EC membership, despite opposition from several quarters in Denmark.

Negotiations, which began in June 1970, were concluded on July 12, 1971, finishing most of the premembership procedural arrangements toward EC membership, which is scheduled for January 1, 1973.

However, two steps must be taken before Denmark can assume EC membership. First, the Danish Parliament must approve it. It is likely that if the United Kingdom joins the EC, the major parties will vote positively on a membership resolution. Second, the membership question must be brought before the public in the form of a binding referendum. Thus,

Common Market Benefits Lure Danish Farmers Toward EC Membership

the final decision is in the hands of the Danish people. Although they are likely to support a positive government decision, it is not a certainty.

The Danish Government has agreed to a 5-year (1973-78) transition period for agricultural products to conform with the EC Common Agricultural Policy (CAP). Generally, the 5-year transition period applies to both industrial and agricultural products. However, farm products will have access to the intervention apparatus and export subsidies for principal agricultural commodities on a graduated scale from accession.

On July 12th, it was agreed that the Danish contribution to the EC joint budget would be $34 million in 1973 (the first year of accession) and would rise annually to nearly $100 million by the end of the 5-year transition period. Under the terms of the agreement, the Danish share of the budget cannot exceed 2.42 percent of the annual EC budget during the transition period. As a full member of the EC, Denmark would qualify to receive compensation from the EC for price supports and export subsidies, and funds for structural improvements in agriculture.

Internal levies (between the EC and the four applicant countries—Ireland, Denmark, Norway, and the United Kingdom) are to be eliminated in five annual 20-percent reductions during the transition period. The schedule of the applicant's external duties will adjust to the EC external tariffs in four stages to be completed by the end of the transition period.

Producer prices for agricultural commodities will be adjusted to conform to EC prices in several steps during the 5-year period.

The countries involved agreed in principle that all quantitative restrictions would be eliminated from accession. Negotiations on specified fruits and vegetables, for which Denmark is asking compensatory levies, are expected to be completed in the fall.

Denmark has asked for third-country, duty-free concessions on several products, including tobacco (a major U.S. export to Denmark). However, settlement has not been reached.

Strong opposition has come from the Danish-governed Faeroe Islands, whose inhabitants are opposed to opening their coastal waters to EC fishermen. In addition, labor unions fear an influx of foreign labor, while some small businessmen fear the competition from large multinational companies in the EC. Also, many opponents argue that EC membership will result in faster than normal price rises reflecting higher costs of essential imports. Serious inflation and balance of payments deficits have been a way of life for the Danes during the entire decade of the 1960's.

Nevertheless, the Danish people are highly efficient producers of both industrial and agricultural products and hope to boost market opportunities by joining the wider European trade bloc. Farmers are particularly anxious for membership; during preliminary negotiations they requested as short a transition period for agriculture as possible in order to quickly regain markets for livestock products lost as a result of the high EC protective tariffs.

Most Danish farmers enthusiastically favor EC membership for three reasons: first, producer prices would rise for most major commodities; second, export markets would expand; and finally, production of specialized farm products would increase.

Average EC grain producer prices in the past few years have been 30 to 50 percent above those in Denmark, cattle and milk prices have been more than 50 percent higher, and poultry meat from 25 to 50 percent higher. Thus, during the transition period, Danish producers could benefit from a windfall price increase.

The extent of the effect of higher producer prices on spe-

cific retail prices is difficult to estimate. It will ultimately depend on how much wholesalers and retailers increase markups as certain costs rise, and on the effects of the revision of Danish support policy under EC regulations.

Currently functioning is a "home market" system, under which producer prices are supported indirectly from receipts from both domestic and export sales. Under this system, domestic prices are raised to assure farmers a certain level of income during periods of low export prices. Under the EC system, there is no link between domestic and export prices. Thus, the "home market" system would disappear, reducing the pressure to raise consumer prices during periods of low export prices. However, the higher price levels of grains and many livestock products in the EC would result in higher producer prices in Denmark. The difference between the high EC producer price levels and the lower export prices would be financed by the European Agricultural Guidance and Guarantee Fund.

Danish exporters of farm products expect more benefits from EC membership than under the European Free Trade Association (EFTA), which has offered no free trade regime for agricultural products. Denmark does enjoy special bilateral agreements with EFTA partners; the most important is with the United Kingdom under which Britain imports half its pork needs and 20 percent of its butter under market-sharing agreements.

Assuming the EC expands to include the three EFTA applicants—Denmark, Norway, and the United Kingdom—the future of EFTA is in doubt. Nevertheless, Danish exporters hope to retain a large share of their traditional U.K. market with average export prices gradually rising to EC levels. A recent serious deterioration in prices received for Danish exports of pork to the United Kingdom reinforced Denmark's desire to widen its markets inside an expanded EC.

Recently, moreover, traditional livestock and livestock product exports to the EC—the largest export market for Danish cattle—were adversely affected by EC policies. The EC raised its orientation price on cows for slaughter resulting in the introduction of an import levy on top of the existing import duty.

Thus, Danish exports of slaughter cows—which had been declining since the inception of the Common Agricultural Policy (CAP) in 1962—are likely, this year, to fall below the 1970 level of $70 million. A supplemental levy on pork entering the EC also was imposed this year (reflecting a high EC supply position) and is certain to reduce shipments of Danish pork significantly in 1971.

If Denmark joins the EC, the Danes expect a renaissance in their export performance. The greatest long-term gains are likely to occur in beef and veal exports.

Beef is in deficit production in the EC, and consumption is projected to increase by about 15 percent by 1975—faster than expected production gains. The beef-processing industry in Denmark is expected to expand, and Denmark would benefit from exporting "finished products" at a comparatively higher export value than that of slaughter cows. Exports of beef and veal to Italy have been brisk for several years and probably will continue to expand. Italy generally takes about 20 percent of its beef and veal imports—valued at $50 million annually—from Denmark.

Although all dairy products may not find suitable markets in the EC, exporters expect to profit from sales of high-quality specialty products and to benefit from the intervention procedures in the EC. The Danish cheese industry is particularly optimistic. Following a slump of a few years, specialized cheese imports to West Germany have improved, aided by the reduction in EC cheese levies in 1970.

Many agricultural specialists in Denmark believe that a reversal in the downtrend in Danish farm output will be linked to EC membership, with a resulting increase in exports. There has been a decline in both the relative importance of agriculture's contribution to the gross national product (GNP) and the share of agricultural exports to total exports. However, from 50 to 80 percent of Danish farm production of each of the major livestock products—butter, cheese, beef, and pork—is exported.

Extensive crossbreeding experiments to develop a heavier, exportable ham are underway, partly with the expectation that more specialized pork products will sell better in the EC markets. This development has been encouraged by the canning industry (see *Foreign Agriculture*, December 14, 1970, pp. 10-11).

Also, a study conducted at Aarhus University projects a reversal in the decline of cow numbers in the event of Danish membership in the EC. According to this study, cow numbers are projected to increase to 1.8 million by 1980, while beef and veal production—almost entirely derived from dairy herds—is projected to reach 417,000 tons. These projections are significantly higher than those based on nonmembership. Much of the increase in beef production would reflect higher beef prices in relation to milk, and an increase in average slaughter weights.

Some of the underlying assumptions of membership are that the higher price levels will attract capital and keep enough labor on farms to allow for expansion. Labor scarcity has been a serious problem in Denmark because of the continued migration of farm labor to industry. Thus, beef, which demands less labor than other farm production, is a logical commodity for expanded production.

Assuming that Danish membership in the EC will result in a revival of livestock production, the market for the major U.S. export, soybeans, appears excellent. Soybean sales to Denmark increased to a record $58 million in 1970. If livestock output expands as expected and the composition of herds shifts toward beef and veal, and if hog production remains at high levels, greater consumption of high-protein feeds should occur.

The outlook for the second major U.S. export to Denmark —tobacco—is uncertain. In recent years sales to Denmark have risen, from $14 million in 1967 to a record $20 million in 1970. Although there is little substitution for U.S. blends, the imposition of the Common Agricultural Policy on tobacco may adversely affect sales. Whether or not Denmark receives duty-free concessions for tobacco also will affect the outlook for U.S. exports.

Exports of U.S. feedgrains have been declining. (An upturn of U.S. sales in 1970 was caused by a short Danish barley harvest.) Normally, Denmark is virtually self-sufficient in the production of its principal feedgrains, barley and oats.

U.S. exports of certain fresh and processed fruits and vegetables are likely to continue to find a market in Denmark. However, Danish consumption of these commodities is relatively low. Also, severe competition may be expected from Italy and France for citrus and deciduous fruits and some fresh vegetables when Denmark fully adopts the EC protective apparatus for these products.

INTERNATIONAL FINANCING ORGANIZATIONS:

How they help trade

Part IV: The Asian Development Bank

By AMALIA VELLIANITIS
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The Asian Development Bank (ADB) lends funds, promotes investment, and provides technical assistance to developing member nations in Asia, and fosters economic growth and cooperation in the region. In so doing it helps to create larger markets for U.S. agricultural commodities.

In 1969, U.S. commercial agricultural exports to less developed members of the Asian Development Bank totaled close to $358 million, or 7 percent of all U.S. commercial agricultural exports.

The Asian Development Bank was first conceived in discussions at the United Nations Economic Commission for Asia and the Far East's (ECAFE) First Ministerial Conference on Asian Economic Cooperation in Manila in 1963. By the end of the Second Ministerial Conference in 1965 the Agreement establishing the ADB was adopted.

The 35 members include 21 regional members and 14 nonregional members. The regional members stretch across the broad Asian continent and out into the Pacific—from Afghanistan in the west to Western Samoa in the east. The nonregional members are all developed Western countries. The United States is a charter member of the Bank.

The financial resources of the Bank consist of ordinary funds, comprised of subscribed capital and borrowings, and special funds consisting of voluntary member contributions for "soft" loans. The ADB has an authorized capital of $1,100 million, of which $1,004 million has been subscribed.

The ADB came into existence after the emphasis on industrialization in economic development efforts that was so apparent in the fifties and early sixties had shifted to a more balanced development between agriculture and industry as a prerequisite to successful economic growth. Consequently, unlike other development banks, the ADB has, from the beginning, placed great emphasis on agricultural development.

Agriculture is the mainstay of the entire region. In all the developing countries of the region, from one-half to over four-fifths of the entire population is engaged in agriculture, and from one-third to one-half of the gross domestic product is derived from agriculture.

For most of these countries, over 60 percent of their foreign exchange earnings are from exports of primary products. In 1968 the region as a whole produced 73 percent of the world's rice, 63 percent of the world's jute, and 52 percent of the world's rubber. More than 30 percent of current imports consist of agricultural commodities.

Therefore it was not surprising that the ADB's initial major task in its first year of operation was to conduct a major Asian agricultural survey. The study was designed to cover all the developing member countries of the Bank and surveyed all the economic and technical fields with current or potential importance to regional agricultural development.

Since the Bank's inception it has approved 43 loans from resources in its ordinary funds totaling $329 million and 16 loans from resources in its special funds totaling $56 million. Close to one-third of these loans can be directly linked to agricultural development or the processing of agricultural commodities. Indirectly many of the other loans contribute to agricultural development by providing roads to markets, shipping, and storage facilities. By developing the area's infrastructure, including its airports and wharves, the Bank is also contributing to the flow of needed U.S. agricultural exports to the regional members.

Increasingly, the ADB is also providing technical assistance to member nations. Over 40 assistance programs are in progress or completed. These range from flood control in Afghanistan to highway studies in Malaysia.

ASIAN DEVELOPMENT BANK APPROVED LOANS, DECEMBER 1966 THROUGH DECEMBER 1970

Country	Development banks and intermediary institutions	Industry, public utilities, and infrastructure	Agriculture and fisheries	Total
	Mil. U.S. dol.	*Mil. U.S. dol.*	*Mil. U.S. dol.*	*Mil. U.S. dol.*
Afghanistan	—	—	5.15	5.15
Cambodia	—	1.67	—	1.67
Ceylon	5.50	2.60	8.59	16.69
Republic of China	—	46.29	10.00	56.29
Indonesia	—	10.00	6.09	16.09
Republic of Korea	20.00	56.30	—	76.30
Laos	—	—	.97	.97
Malaysia	—	23.80	7.00	30.80
Nepal	—	6.01	6.40	12.41
Pakistan	31.73	12.00	3.12	46.85
Philippines	20.00	10.60	2.50	33.10
Singapore	13.00	37.11	—	50.11
Thailand	15.00	19.00	—	34.00
Vietnam	—	—	2.50	2.50
Western Samoa	—	2.40	—	2.40
Total	105.23	227.78	52.32	385.33

This is the fourth in a series of articles examining the role that international monetary organizations play in increasing the flow of world agricultural trade. (See *Foreign Agriculture*, May 31, July 5, and July 19, 1971.)

Canada's Beef Deficits And Pork Surpluses Have Caused Shifts in Its Trade With U.S.

By PHILIP L. MACKIE
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The long-standing U.S.-Canadian trade in cattle, beef, and pork has recently undergone some startling shifts.

The heavy and steady flow of Canadian **feeder cattle** into the United States has declined to a trickle. Canadian purchases of **slaughter cattle** from the United States—which normally average only a few thousand head per year—jumped to over 100,000 head last winter. Canadian exports of **beef** and **veal** (fresh or frozen) to the United States in 1970, at 83 million pounds, were more than twice the average of the early 1960's. Year before last, the flow of **pork** from the United States was heavier than usual; but last year and the first half of this year the direction of flow was reversed, and a tide of Canadian pigs and pork broke over the U.S. market.

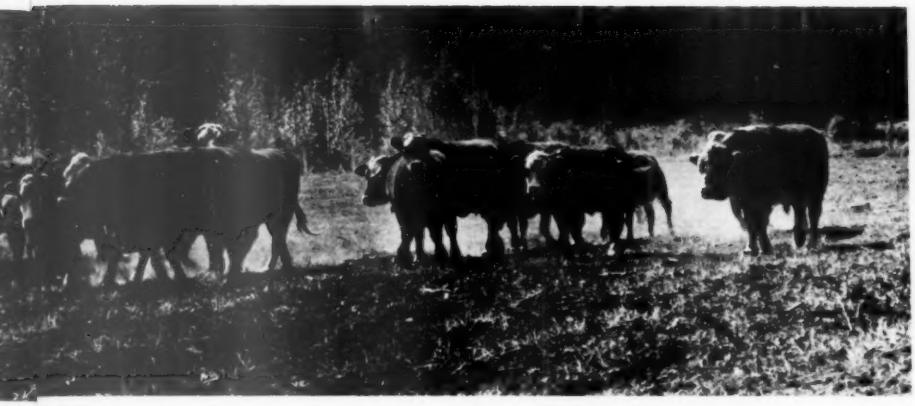
What lies behind these developments? Are they transitory, or do they represent underlying changes in comparative advantage?

Some probably are transitory. There is a natural cross-border trade between the two countries based on specialized markets or products; but large shifts in the traditional patterns of that trade usually reflect temporary imbalances in the Canadian livestock industry, rather than permanent changes. The Canadian pork market, for example, should be back in balance by this fall, and so should the two-way trade in pork. The Canadian beef herd is expanding, and imports of U.S. slaughter cattle and beef on the scale of 1970 are not likely to be repeated. But the domestic market for Canadian beef will probably continue tight into the midseventies; and even then, a resumption of Canadian feeder cattle exports on the scale reached in the midsixties is not in the cards.

Basically, U.S.-Canadian trade in livestock and meat products is determined by relative prices in the two countries. The influence of trade barriers has been minor compared with that in other international markets; trade flows easily and responds rapidly to price fluctuations. The U.S. market, because of its similar organization and larger size—about 10 to 1 in both production and consumption—sets the basic price structure for Canadian livestock and meat products. In effect, the U.S. market sets both a floor and a ceiling on Canadian market prices. Therefore, the Canadian livestock producer must adjust to his own domestic market within limits imposed by market conditions in the United States.

Beef.—The basic reason for the current shortage of cattle—both feeder and slaughter—in Canada is reported to be unprofitability of feeder cattle production in the mid-1960's. Beef cow numbers increased each year between 1950 and 1965, going up from 1 million head to 2.9 million. This resulted in more beef production capacity in the Canadian beef cow herd than the domestic market could use. While the beef cow herd tripled in size during this period, slaughter only doubled. Siphoning off this overlarge productive capacity of the beef cow herd were large exports of feeders to the United States.

Between 1965 and 1970, the Canadian beef industry worked off this overcapacity. Beef cow numbers and beef production stayed relatively con-



Left, beef cattle herd in the Yukon Territory. Below left, cattle on a feedlot in Alberta Province. Canada is trying to expand beef production.

stant while demand continued to rise; thus, prices and profitability increased.

By 1970 the Canadian beef situation had reversed itself relative to the U.S. market, and supplies of beef and cattle were tight. Exports of feeders dropped from about 400,000 head in 1965 to less than 10,000 in 1970, and over 100,000 head of slaughter cattle were imported in late 1970 and the first months of 1971. (In the past year the floating of the Canadian dollar has made U.S. livestock and products more competitive in the Canadian market. This also helps to explain the recent increase in Canada's imports of U.S. slaughter cattle.)

In spite of the developing beef shortage, Canadian exports of fresh and frozen beef and veal to the United States rose sharply in 1969—and again in 1970, to 83 million pounds. The increased shipments, however, were mostly manufacturing-grade beef and were due to the substitution of imported beef from Australia and New Zealand for domestic manufacturing beef in the Canadian market. The Canadian beef thus displaced was shipped to the United States.

Feedlot fattening of cattle has expanded rapidly in Canada. The number of cattle grading choice or good increased by 400,000 head (30 percent) between 1965 and 1970, even though slaughter of cattle other than cows increased by only 125,000 head. Even so, this increase has not kept up with demand in the domestic market.

The future development of the beef cattle industry in Canada depends on the supply of feeders and on grain price policy. The key region to watch is the Prairie Provinces, which are surplus in both grain and feeder cattle. They are, however, farther from the major markets than is the eastern Canadian beef-feeding region in southwestern Ontario. This eastern area is deficit in both feeders and grain, keeping prices higher than in western Canada; but it has the advantage of proximity to the big markets of Toronto and Montreal and the ability to produce corn silage.

Canadians say—just as we say in the United States—that they have nearly exhausted the potential for expanding beef production through increasing the physical efficiency of the present cattle population—that is, through more intensive feedlot fattening programs, heavier slaughter weights, feeding out more dairy animals, and so on. Also, the dairy herd will continue to decline as milk production efficiency increases, reducing the base for expansion of beef production from this source.

Therefore, in the immediate future, expansion in beef production must come primarily from a larger beef cow herd. To match beef production increases of the past 10 years, the beef cow herd will have to expand at an average annual rate of about 5 percent.

Present ranges are reported to be fully stocked. Future expansion will require range improvement and/or bidding land away from grain production. It will also require a further significant increase in the profitability of feeder cattle production, both absolutely and relative to grain production. Shifting to or building up cattle herds will require investment in facilities and water supplies, as well as a shift from the present seasonal labor system to year-round labor input.

The development of the Canadian beef industry also depends on Canadian grain policy and the outlook for grain sales on the world market. Canadian policy is to guide grain production toward market requirements and to encourage diversification—both from wheat to feedgrains and other crops and from grain to livestock. This crop year, the Federal Government's diversification program will pay Prairie grain producers $10 per acre to divert crop and summerfallow land to forage crops.

The Prairie grain producer has three choices for disposition of his grain. He can sell a quota amount to the Wheat Board; he can, under certain conditions, sell privately within his Province; or he can feed it. Current Wheat Board policy is to set prices and delivery quotas in line with market conditions. This past season—1970-71—delivery quotas were large because the export market was good. In the previous season, large quantities of grain were held on farms because of low delivery quotas. Conversion of overquota grain into livestock products is an important method of moving such grain out of the Provinces.

In sum, current Government policy and the current Canadian livestock situation both favor an expansion of feeder cattle production. Government policy favors diversification and market-oriented grain prices, and the basic market for fed cattle is strong. Feeder cattle prices increased from 1965 through 1970, while grain prices ranged from steady to lower. Thus, relative profitability is tending to shift toward cattle. Reflecting this, beef cow numbers rose 5 percent in 1969 and 6 percent in 1970; and the inventory of beef heifers on last December 1 foreshadows an additional significant rise in 1971. This does not mean, however, that Canadian feeder cattle exports to the United States will rebound to their former levels—not so long as the Canadian beef market continues to expand.

Pork.—The same basic factors that determine Canadian beef production and the relationship of the U.S. and Canadian beef and cattle markets also operate for pork, although the two-way trade in pork is more volatile. When Canadian pork supplies are short, they are usually supplemented by shipments

(Continued on page 16)

NEW FREEDOM AND GAINS IN HUNGARY'S COLLECTIVE AGRICULTURE

By THOMAS A. VANKAI
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Hungary's economic reform program —known as the New Economic Mechanism (NEM)—has undergone more than 3 years of adjustments since it was introduced January 1, 1968.

During a recent 11-day visit to Hungary, the author attempted to determine how collective farms fare under the freedoms granted by the NEM. It should be pointed out that the farms visited were probably among the most successful. Most of the farm buildings were in good repair and some had been built recently. They were highly mechanized and the farm managers were skilled technicians. The farms were above average in size, ranging from 5,700 to 13,800 acres and employing about 400 to 500 workers each.

(The average collective farm is 4,500 acres.)

Collective farms—Termelöszövetkezet as they are called in Hungary or TSz in the shortened form—take up about 80 percent of the countrys' agricultural land and, from a management viewpoint, constitute the most complicated sector of the farm economy. It was pointed out that about two-thirds of the country's approximately 2,700 collective farms are profitable. The remainder, because of unfavorable geographic location or poor soil, must be subsidized by the Government. In return for Government subsidies, these marginal farms must have their plans approved before implementation.

One of the principal concepts of the NEM is to harness the talents and initiative of individual farm managers and to reward them according to the profits their farms earned.

To help farm managers, and others, learn to think in terms of profits as well as production, they had to undergo training. The Government also formulated new price policies to assure collective farms sufficient income to allow for profit margins.

Before the economic reform program became effective, farm managers had to follow detailed plans formulated in Budapest. Under this system, detailed production schedules were developed by Ministry officials and sent down to the managers of farms and factories, who had to meet specific quotas.

Because these quotas emphasized production at the expense of efficiency, production costs rose sharply, quality was neglected, and consumer demands were unsatisfied. Furthermore, centralized decision-making and Governmental interference often delayed and complicated implementation of these plans.

An important gain made by collective farm managers is that their annual and 5-year plans are not being altered through administrative orders. Should Government planners conclude that the sum of individual plans would not meet the national goals, economic incentives are introduced to influence farm managers to adjust their plans for the following year.

In contrast to the rigid control formerly maintained over all phases of agriculture, the Hungarian Government now relies more on price adjustments, credit terms, subsidies, and taxation.

The Government can, for example, raise permanently the prices of selected commodities if a serious, long-term shortage exists, or it can grant a bonus to stimulate production temporarily. It can also grant or withhold credits and subsidies to collective farms, or designate the use of these funds.

One of the means the Government has of making known its policies is through organizations to which every TSz belongs. Local farms are joined in regional associations which in turn are members of a national grouping. Leadership of the national TSz organization is in constant touch with Government policy-makers so that it is in effect a two-way funnel, channeling downward the requirements of the Government

Scenes from Hungarian collective farms, clockwise from top left: dual-purpose cattle; feeder pigs; harvesting wine grapes; farm machinery park; and president of a collective Hungarian farm, András Buznyák.

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while at the same time passing upward the wishes and needs of the local groups' leadership.

But in general, farm managers are allowed to base their decisions on economic factors—supply and demand, production costs, and profit—as do most businessmen. However, there are always the needs of the Government, and official policies still play a role in the decisions they make.

For example, wage funds cannot be increased without a proportionate increase in investment funds. In addition, the Government requires the farms to set aside a certain share of profits for various social security funds.

There are also statutory limitations on the freedoms enjoyed by collective farm managers.

A TSz has a binding charter that restricts the manager's actions. Under such charters a TSz member is entitled to an annual base salary. This guaranteed wage, which usually amounts to 80 percent of average earnings for the previous 2 years, has helped slow migration of young people to the city. Migration continues, however, and the average age of farm members is rising. On all three of the farms visited, the number of retired members in relation to the number of working members seemed to be large and burdensome. On one farm with 321 families, there were 483 active workers and 175 pensioners.

Another statutory limitation is that membership in a TSz can be terminated only in case of absenteeism or criminal behavior. This means that many TSz managers are handicapped by having to keep inefficient workers on the rolls.

In order to show a better profit, farm managers use a number of devices such as mergers, joint ventures, and vertical expansion.

Mergers of enterprises that are about equal in efficiency are frowned on by the Government which prefers to see a weak collective farm absorbed by a strong one.

One profitable relationship generally approved by the Hungarian Government is the joint venture in which two or more farms combined managerial talent, labor, or funds to institute projects that benefit each farm. Among these are the building of storage or drying facilities. They also engage in joint hog-fattening and broiler-producing operations.

To avoid seasonal unemployment and maximize profits, managers sometimes effect vertical expansion. A farm may, for example, establish food processing facilities to pack its own fruits and vegetables, or it may agree to provide raw materials to an already established food processing plant.

On some farms, nonagricultural projects contribute from 60 to 80 percent of total farm income. The Government encourages farms to engage in such profitable subordinate activities as storage and transport, cottage industries, small-scale food processing, and in the construction of farm buildings. This approval is shown by the credits and tax advantages the Government grants to collective farms engaged in such subordinate projects.

Some Hungarian economists think that tax benefits and subsidies granted to collective farms give them an unfair advantage over industry. They believe that goods produced on the farms are often inferior to similar goods made in city factories, and that buildings constructed with farm labor are built less efficiently than when built by tradesmen engaged in the building industry.

The NEM has not been in effect long enough to fully measure its impact, but already several benefits have been noticed. Hungarian agriculture has lost its inflexibility and some farm managers are experimenting with a variety of auxiliary activities.

Total hog numbers are at an alltime high because of increased hog prices, and thousands of new farm homes have been built as the result of recently instituted home construction subsidies.

In 1969, increased agricultural output resulted in a boost of 7.7 percent in per capita farm income compared with only 4.4 percent for the entire economy.

FAO Study Cites 2-Percent Gain In World Food Output in 1970; Far East Leads

In 1970, for the fourth year in a row, total food and agricultural production rose in the developing countries as a whole. But it stood still in the developed market economies—and for the second year. In the world as a whole, the indexes of both food and agricultural production increased 2 percentage points.

Per capita production, however, both of food and of all agricultural items, failed to match total production in increase. Of the developing regions, only the Far East produced enough to raise per capita output of both food and other items. A per capita food increase registered by Latin America was largely due to a bigger sugar crop in Cuba, mainly for export. In the rest of that region, as in the world as a whole, food and agricultural production only kept pace with population growth; and in the Near East and Africa, they did not quite manage to do this.

The 1970 standstill of agricultural production in the developed market regions was due mainly to policies aimed at reducing surpluses of wheat, dairy products, and rice, although bad weather also cut output in some areas. Australia and Canada made severe reductions in wheat production. In Eastern Europe and the Soviet Union, however, agricultural production rose 6 percent, mainly as a result of pronounced recovery in Soviet output—especially of grains.

These were some main findings reported in *The State of Food and Agriculture 1971*, released in a preliminary version early this month by the Food and Agriculture Organization of the United Nations. The final report will be issued in November.

In a foreword, FAO's Director-General A. H. Boerma noted continued progress in rice and wheat in the Far East. But he pointed out that in other developing regions, many countries were not gaining in the race with population growth; "Nor was 1970 an exceptional year. Over the entire decade of the 1960's the trend of food production per head showed virtually no increase in any of the developing regions, and actually fell somewhat in Africa."

For more recent years, the picture is only slightly brighter. Between 1967—the first year of "normal" world harvests after the bad years of 1965 and 1966—and 1970, per capita food production in all developing countries combined rose by only 2.5 percent—and all the improvement came from the 7-percent gain of the Far East.

Discussing the impact of the new grain technology, the study cited Mexico's experience with wheat: self-sufficiency was followed by a recent deemphasis on wheat to avoid surpluses. In the Far East, after yields and production had accelerated, India's wheat imports in 1970 were less than half those of 1967, and Pakistan's less than a fourth; the Philippine Republic imported no rice after 1967; Pakistan's rice imports plummeted to less than a ninth of the 1967 level before rising in 1970 for disaster relief.

Still, widespread use of the new varieties remains largely centered in the Far East. Except for the United Arab Republic, Kenya, Turkey, and a few other countries, no visible impact has occurred on overall yields and production.

The study stresses the urgent need not only for continued efforts to spread the benefits of the wheat and rice varieties but for research to improve the output of other needed foods. This is particularly true for Africa, where much of the research on rice and wheat is inapplicable, for reasons of both ecology and diet.

The study reports very considerable reductions in stocks of wheat, coarse grains, and dairy products. Rice stocks, however, have risen again, and Western Europe's fruit surplus problem has worsened.

Wheat stocks, although much reduced by the generally low level of production in major exporting countries and by heavier import demand, will be higher by the end of the 1970-71 season than in 1966 or 1967, when, as the report comments, "it was generally agreed that the surplus element in carryover stocks had been eliminated."

Stocks of coarse grains, mainly held by the United States, have been cut by lower U.S. output (due to drought and corn blight) and by rising import demand in Europe and Japan.

The reappearance of rice stocks has followed in part from increased production in the developing Far Eastern countries. A number of these countries have now been able to build up buffer stocks through lower world prices, concessional purchases, and smaller import needs. But this has created competition problems and involuntary stock buildup in exporting countries—not only the United States and Japan, but some developing countries.

Dairy stocks have been trimmed down to normal, and prices have soared. In Western Europe, main surplus region, milk output held steady as rising output per cow was offset by bad weather, policies encouraging a switch to beef, and a longer term trend away from dairying. Greater demand for cheese and fresh milk products cut butter output, and exports and food aid programs stepped up disposal of butter and skim milk powder. The study comments, "The latest surplus phase in the world dairy economy may thus be considered to be over," but it points out that there is still surplus capacity.

A surplus in hard fruits (especially pears) has developed in Western Europe, stemming from new plantings that were encouraged by price supports and export aids. Since these products cannot be stored, unprecedented quantities have had to be withdrawn from markets and largely destroyed, and policy measures have failed to reduce the surplus production capacity.

West Germany's Processed Food Demand Fosters Both Production And Imports

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Ever-increasing demand for processed food products in West Germany is stimulating development of this segment of the German food industry and also providing opportunities for U.S. exports of processed food items.

Historians believe that the processed food industry had its beginning in 1804 when the French chef Francois Appert heated some vegetables in a tin can to prevent the food from spoiling. Now, after 167 years, the food trade in Germany speaks of the "Konserven .Zeitalter"—the Processed Food Era, which has been developing during the past 20 years.

Before World War II annual per capita consumption of canned food products in Germany was about 6 pounds. By 1966 consumption had increased to 28 pounds. Consumption leapt from 47,100 metric tons in 1960 to 616,515 tons in 1970 with the bulk of the products domestically produced.

As has been the trend in many other countries, consolidation has struck the German processed food industry. Although the number of factories is decreasing, those that remain are expanding both in production and personnel. At the present time there are some 5,000 factories manufacturing processed foods in Germany and some 10 companies account for three-fourths of total production.

The most popular processed food items in Germany are presently canned fruits and vegetables, fish and meat products, packaged confectionery items, and canned German sausages and potatoes. Although demand for these traditional favorites will probably remain strong, indications are that processed foods in several new categories have tremendous growth potential in the German market. These include easy-to-prepare convenience food items, food specialties of foreign countries, and "health food" items.

Portion-controlled canned dinners or luncheons or combinations of several canned products which together would make up a selected menu are expected to make rapid gains in consumer favor. These items should be packed in portions of one, two, or more servings and should include spices, gravies, and dressings.

Since many Germans like to travel and have acquired a taste for the cuisine of other lands, items in the so-called gourmet delicatessen category are also expected to find wide acceptance.

The average German is very health conscious and is jumping into the current craze for "health food" items, many of which are considerably higher priced than normal food products. High standards of quality control of the ingredients are strictly enforced by the Government. Absence of chemical additives, hormones, antibiotics, pesticides, and artificial ingredients play an important role in this group of "natural food" products.

There are over 2,000 "Reform" or "Health" stores catering to this consumer group. Processed health food products of low caloric content and high nutritional value are popular. Experts in the food trade believe that U.S. high-quality health foods, particularly dehydrated products for institutional use, have good market potential in Germany. The trend toward light and wholesome food intake also opens further expansion possibilities for processed fruit and vegetable sales.

Although one segment of consumers considers price advantage as the major criterion for buying, an equally strong group considers quality and brand-name before price.

Trade experts believe that a well-organized advertising and promotion program in retail stores is needed to acquaint consumers with new processed foods. Products not adequately promoted, they say, lose in the sales arena. Retail store owners reportedly are now requiring premium payments for shelf space.

In the past several years U.S. processed food products have been actively promoted in Germany at trade fairs and at the retail level under point-of-purchase programs.

During the last 2 years over 12,000 West German retail stores staged all-out promotions of U.S. food products including stores of the A&O, LATSCHA, ESBELLA, VeGe, IFA, VIVO, KOMA-NORD, TEUTO-MARKT, CENTRA, and SPAR chains.

Preparations are underway for a 10-day U.S. food promotion during October-November 1971 with stores of TENGELMANN oHG, currently the largest privately owned retail chain organization in Europe. U.S. processed food exporters who are interested in participating in this promotion should contact the U.S. Agricultural Attaché, American Embassy, Bonn, for further information.

Peru's Palm Production To Lower Oil Imports

The Peruvian Government is developing a palm plantation in the jungle on the east side of the Andes Mountains which, by 1977, will enable it to reduce substantially the country's imports of vegetable oils.

The project—in the Department of San Martín—was started in 1965 under an agreement between the Ministry of Agriculture and the Oleaginous Research Institute (IRHC) of France.

About 2,470 acres were planted in 1968-69, as scheduled. Current plans call for a pilot program of 3,700 acres to be owned initially by the Government and an additional 4,320 acres to be owned by individual farmers. The Government ultimately plans to increase the area to 10,000 acres.

Planting of the palms is proceeding so well that the Government is expected to start construction of a palm processing plant at the plantation site in 1973.

The first palms planted will begin to bear fruit in 1972-73. However, they will not reach peak production for several years. When the 10,000-acre plantation is in production (by 1977) it should produce about 1.5 to 2 tons of palm oil per acre for a total production of 15,000 to 20,000 tons. This increase in domestic availability will replace vegetable oil currently being imported, largely U.S. soybean oil.

In Eastern Europe, Grain and Oilseed Crops Recover

An improved small grain harvest may be occurring in Eastern Europe. All East European countries, except East Germany and possibly Poland, are having good harvests in 1971; and, according to some indications, the leading producers have already had large small grains harvests. Prospects for oilseed crops are also excellent.

The corn outlook, however, is still uncertain; and in Hungary and Yugoslavia—two leading corn producers in Eastern Europe—the corn output will depend on whether or not sufficient rainfall occurred during the last part of the growing season.

If grain harvests are near record levels, the recovery in production in comparison to last year's unusually poor harvest could cause grain imports by the northern countries (normally grain purchasers) to fall.

For the northern countries, total area planted to grain for the 1971 harvest is estimated by the countries at about 34.1 million acres, and production is forecast at 10 to 15 percent greater than the mediocre 1970 harvest.

However, northern countries will continue their grain imports in the 1971-72 trading season. Czechoslovakia and East Germany will each import about 1.3 million tons of grain under a 5-year contract with the Soviet Union. Poland, under a similar contract, will import a sizable quantity of USSR grain. Czechoslovakia also plans to purchase about 200,000 tons of grain from Western countries. And an unannounced quantity of corn will come into East Germany from Romania.

Largely as a result of increased application of fertilizer and more favorable weather, southern countries could return to a net export position in the 1971-72 trading season.

A mild 1970-71 winter resulted in little winterkill of winter grains. April precipitation was low, but May rainfall alleviated dry conditions in all countries except Hungary. Although soil moisture remained below normal during June and July in Yugoslavia and Hungary, all of the southern countries have reported good small grain crops.

But even though the need for imports may be lessened, it will not be eliminated. Yugoslavia is expected to import about 200,000 metric tons of feedgrains (probably barley) in the near future because stocks are low. The country has also made official provision for the import of 250,000 tons of wheat—now perhaps not needed with much urgency.

Dry soil conditions that continued into August, however, may have hurt the corn crops in Yugoslavia and Hungary. The area planted to corn in southern Eastern Europe in 1971 is about 5 percent greater than that planted in 1970, and corn is nearly half of the grain produced in the southern countries.

For oilseeds, area planted increased in northern Eastern Europe but decreased in the south in 1971. In the north, where rapeseed is the chief oilseed crop, area was up 3 to 4 percent. Total rapeseed production is estimated by the northern countries to have increased about 10 percent to between 900,000 and 950,000 tons. In the south, sunflowerseed area was down slightly from the previous year to about 3.0 million acres. Most of the decline in area was in Romania. Weather conditions have been favorable to sunflower yields, and an excellent but not record crop is expected.

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Thai Corn to Japan

An agreement for a record sale by Thailand of about 1 million tons of corn to Japan was recently signed in Tokyo. The total is almost half of all corn grown in Thailand and will account for about one-sixth of all of Japan's corn imports.

In 1970-71 Thailand exported a total of 845,000 tons of corn to Japan, the largest quantity ever to be exported to that country by Thailand. The agreement this year calls for a target of 1 million tons to be delivered between September 1971 and May 1972.

Thailand estimates its corn output for the 1971-72 season to be 2.2 million tons.

EC Subsidies for Processed Fruit and Vegetable Exports

The European Community (EC) Commission has established the first EC-wide export subsidies for certain processed fruits and vegetables. Under the revised export subsidy rules of Council Regulation 865/68, subsidies may be granted for processed items, with and without sugar added, to the extent necessary to cover the difference between EC and world market prices. Previously, an export subsidy was provided for with respect to the sugar-added content only.

According to the Commission's announcement, export subsidies have been established for canned tomatoes, tomato concentrates, canned cherries (with sirup), and tomato, orange, and lemon juices.

The subsidies apply to exports to all destinations with the exception of canned tomatoes and tomato concentrates that are shipped to the United States. Although a precise measurement is not yet possible, it appears that the subsidy rates are high. For example, in terms of current U.S. f.o.b. shipping-point prices, the subsidy on tomato concentrate most commonly traded would be equivalent to about 18-19 percent of the U.S. f.o.b. price; canned tomatoes, about 13 percent; and tomato juice, about 19 percent.

Mexico To Promote Fruits, Vegetables

The Mexican Confederation of Small Farms (Confederación de la Pequeña Propiedad) has decided to sponsor a sales office in Dusseldorf, West Germany, according to a recent article in the Mexican press.

The function of this office will be to promote direct sales of agricultural products in Germany as well as in other European countries. Among commodities to be included in promotion efforts are strawberries, onions, citrus, peanuts, garlic, melons, and other fruits, vegetables, and flowers.

CROPS AND MARKETS

Grains, Feeds, Pulses, and Seeds

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Sept. 1	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	1.93	0	2.04
USSR SKS-14	1.86	−2	(1)
Australian FAQ	1.72	0	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	1.89	−2	1.97
15 percent	1.97	−2	2.00
U.S. No. 2 Hard Winter:			
13.5 percent	1.81	−1	1.92
No. 3 Hard Amber Durum	1.81	0	1.88
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	1.69	+6	1.78
Feedgrains:			
U.S. No. 3 Yellow corn	1.42	−3	1.91
Argentine Plate corn	1.67	+3	2.00
U.S. No. 2 sorghum	1.43	−2	1.67
Argentine-Granifero sorghum	1.50	+2	1.70
U.S. No. 3 Feed barley	1.10	0	1.33
Soybeans:			
U.S. No. 2 Yellow	3.41	−16	3.20
EC import levies:			
Wheat [2]	[4] 1.45	[4] +3	1.37
Corn [3]	[4] .96	[4] +9	.49
Sorghum [3]	[4] .94	[4] −1	.64

[1] Not quoted. [2] Durum has a separate levy. [3] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. [4] Forward trading suspended Aug. 16. Levies are for current month only. Note: Basis—30- to 60-day delivery.

Dairy and Poultry

Ontario Ups Price of Milk Used in Cheese

Effective August 1, 1971, the Ontario Milk Marketing Board raised the price of bulk milk used for Cheddar cheese production to Can$5.14 per 100 pounds, an increase of $1.15 over the previous price. The price of milk used for brick and Colby cheese production also was increased $1.15 to $5.29 per 100 pounds.

The increase is based on a July average selling price on the Belleville, Ontario, cheese exchange of 63.8 cents a pound for Cheddar. Prices, reportedly, will be reviewed monthly.

The Province of Ontario produces about one-third of Canada's milk, with 6,389 million pounds in 1970 out of a total national output of 18,179 million pounds. Ontario has been Canada's leading producer of Cheddar cheese, although its 1970 production of 78.6 million pounds was down about 8 percent from the previous year.

U.K. Minimum Import Prices on Poultry Meat

The United Kingdom intends to introduce minimum import prices (MIP's) for poultry meat, effective October 1, 1971. The stated purpose of the new MIP system is to prevent the home market from being undermined by unduly low-priced imports. When implemented, the MIP's will be supported as necessary by general variable levies.

Actually, imports now provide only a marginal proportion of U.K. requirements for poultry meat. Total U.K. production of poultry meat in 1970-71 (June-May) has been officially estimated at 570,000 long tons, nearly 90 percent of which was chicken meat. In 1970, imports of fresh and frozen poultry meat included 4,106 tons of chicken meat,

U.K. MINIMUM IMPORT PRICES (MIP's) FOR POULTRY MEAT

Item	Prepacked	Bulk packed
Carcasses with giblets:	*Cents per lb.*[1]	*Cents per lb.*[1]
Chickens	—	38.4
Turkeys	—	48.0
Ducks and geese	—	45.6
Guinea fowls	—	84.0
Carcasses without giblets:		
Chickens	—	40.8
Turkeys	—	50.4
Ducks and geese	—	49.2
Guinea fowls	—	86.4
Parts, bone-in chicken:		
Halves or quarters	45.6	42.0
Wings	28.8	25.2
Drumsticks	69.6	66.0
Breasts	61.2	57.6
Thighs	38.4	34.8
Turkey:		
Halves or quarters	52.8	49.2
Wings	48.0	40.8
Drumsticks	52.8	46.8
Breasts	72.0	64.8
Thighs	60.0	52.8
Ducks and geese	57.6	54.0
Guinea fowls	98.4	91.2
Parts, bone out:		
Dark poultry meat	75.6	72.0
Light poultry meat	103.2	99.6
Mixed dark and light meat	93.6	90.0

[1] Converted to U.S. currency equivalents.

1,076 tons of turkey meat, and 548 tons of duck and goose meat. Canned poultry meat imports totaled 3,711 tons, 501 tons of which was from the United States.

The MIP arrangements will not apply to supplies from Denmark or the Republic of Ireland. Danish authorities have agreed to cooperate in achieving the objectives of the United Kingdom in this regard and have undertaken to limit their exports of poultry meat to the United Kingdom to specified quantity levels. Imports from Ireland will be subject to review with respect to conformity with the general objectives of MIP arrangements.

Also effective October 1, 1971, the United Kingdom will require that all imports of poultry carcasses and offal be subject to license. Imports from other parts of the British Isles will be allowed under general license. Imports from all other sources will be considered on the merits of the disease situation in the country of origin.

Where imports are allowed from sources outside the British Isles, they will be confined to dressed carcasses or parts thereof, without accompanying offal. Licenses for separate consignment of offal will be considered, but only for processing in Great Britain. All consignments of poultry meat and offal will be accompanied by official veterinary certification that the birds from which the meat or offal is derived have been examined and found to be healthy both before and after slaughter and that they have not been in contact with significant poultry diseases.

The new arrangements for imports from outside the British Isles will exclude the importation of the giblets inside the dressed carcass of an oven-ready bird, even though giblets may be enclosed in a watertight bag.

Applications for licenses to import will be considered in advance of October 1. Licenses, when granted, may be either of a general kind relating to all importations from an individual country, or of a specific kind relating to an individual importation.

Newcastle Outbreak in Canada

Canada's Department of Agriculture (CDA) disclosed on July 30, 1971, that an outbreak of Newcastle disease had been diagnosed on five farms in the Muirkirk area of southwestern Ontario about 30 miles from Chatham. The 5 flocks totaling 25,000 laying hens are being slaughtered by order of the Contagious Diseases Division of CDA. Premises from which these flocks are removed will then be disinfected to prevent transmission of the disease to subsequent flocks.

The CDA veterinarians also are encouraging other producers in the area to vaccinate susceptible flocks and to prevent visitors from entering uninfected premises.

Fruits, Nuts, and Vegetables

Italian Almond Forecast Revised Downward

Revised estimates place the 1971 Italian almond crop at 20,000 short tons (kernel-weight basis), 2,000 tons below previous forecasts. Below-normal temperatures and high humidity during June, followed by extremely hot and dry weather for the remainder of the summer, have delayed harvest operations by a week to 10 days.

Prices for Italian almonds have risen sharply in recent weeks. Bari shelled almonds, available for prompt delivery, are quoted at 95-98 cents per pound, while contracts for September to October delivery are calling for $1.01 per pound. This compares with spot prices of 81-84 cents per pound in mid-July.

Two major factors behind this rapid increase are the delayed arrival of U.S. almonds (due to the west coast dock strike) and the lowered U.S. crop forecast. The European trade believes prices will decline as the American product becomes available in quantity.

Spanish Filbert Forecast Revised

A revised forecast calls for a 1971 Spanish filbert crop of 24,000 short tons (in-shell basis). Although 2,000 tons above previous estimates, this still represents a substantial drop from last year's 29,000-ton harvest.

During 1970, some 50,400 new filbert trees were planted in Catalonia and the Balearic Islands under a Ministry of Agriculture program. Additional plantings were established under the same program in the Levant area.

Netherlands Prices of Canned Fruits, Juices

Quotations represent wholesale offering prices on a landed weight basis including the sugar-added levy, if any, but excluding the value-added tax.

Type and quality	Size of can	Price per dozen units: July 1970	March 1971	July 1971	Origin
		U.S. dol.	*U.S. dol.*	*U.S. dol.*	
CANNED FRUIT					
Apricot halves:					
Heavy sirup	2½	—	3.22	3.38	Greece
Not specified	500 gr.	—	1.59	1.59	Spain
Fruit cocktail:					
Choice, heavy sirup	2½	—	5.14	5.14	Australia
Do	2½	4.71	4.74	4.74	Italy
Choice, light sirup	2½	4.71	5.13	5.27	U.S.
Peaches, halves:					
Fancy, heavy sirup	2½	—	4.48	4.48	France
Choice, light sirup	2½	3.85	4.44	4.44	U.S.
Do	2½	—	—	4.18	Australia
Standard, light sirup	2½	3.71	3.98	3.78	Australia
Do	2½	—	3.15	3.15	Greece
Pineapple slices:					
Fancy, heavy sirup	2½	4.81	4.94	4.94	U.S.
Extra choice	2½	4.04	4.04	3.94	S. Africa
CANNED JUICE					
Orange, unsweetened [1]	1 ltr.	—	3.78	3.78	Israel
Grapefruit, unsweetened [1]	1 ltr.	—	3.88	3.88	Israel

[1] Packed in glass bottles.

Higher Spanish Almond Estimate

Spain's 1971 almond crop is now placed at 38,000 short tons (kernel-weight basis), 3,000 tons above earlier estimates. It now appears that frost damage during March was overestimated. Insect and disease damage are reported as minimal, and the size of the nuts is normal.

Record Italian Filbert Harvest

Italy's 1971 filbert harvest is forecast to reach 100,000 short tons (in-shell basis). Several industry members think the crop may exceed 105,000 tons. Excellent weather conditions and near-perfect fruit set are cited as prime factors for the record forecast. Quality is reported to be good, and harvest is starting early.

Fats, Oils, and Oilseeds

Australia Sells Sunflower Oil

Australia's first substantial export sale of vegetable oil was negotiated during the first week of August. Reportedly, about 1,000 long tons of sunflower oil were sold to the Netherlands at approximately US$366 per ton.

Since the Australian market is currently oversupplied with sunflower and rapeseed oil, export markets are being sought for part of this year's oil production. It is expected that increasingly larger quantities of vegetable oil will be offered on the export market in the near future.

Cotton

Argentina Reduces Cotton Import Duties

A sharp drop in 1970-71 cotton production in Argentina has caused the Argentine Government to slash import duties on upland cotton in order to meet current mill requirements and export commitments. The Government decree, published July 20, reduced ad valorem cotton import duties from 60 to 10 percent on a maximum of 23,000 bales to enter Argentina under the reduced tariffs. There is no limitation on imports at regular duty rates. The temporary reduction in duties will expire December 31, 1971. The Government action will also eliminate requirements for a 40-percent import deposit and a deposit for foreign exchange rate insurance prior to importation.

Because of heavy rains, Argentine cotton production for the 1970-71 (August-July) crop year is estimated at only 400,000 bales (480 lb. net)—one of Argentina's three smallest cotton crops in the postwar period. Because Argentina harvests its crop between February and May, most of the 1970-71 crop is not available for consumption and export until the 1971-72 crop year. The Government presently estimates 1971-72 export commitments at 220,000 bales. Domestic consumption in 1971-72 is estimated at about 475,000 bales, bringing the total for mill requirements and export commitments to approximately 700,000 bales, almost twice the 1970-71 crop.

The Cotton Advisory Committee in the Province of Chaco, Argentina's most important cotton-producing Province, has issued a strong protest against the Government's action, maintaining that domestic production and present stocks are more than sufficient to meet domestic demand.

Without additional imports, however, export commitments could not be met. Argentina's exports (all low qualities) usually average less than 100,000 bales, but they exceeded 200,000 bales in 1970-71, with Japan, Taiwan, Belgium, Hong Kong, South Africa, the United Kingdom, and West Germany taking more than 10,000 bales each.

Imports in recent years have come almost entirely from countries of the Latin American Free Trade Association (LAFTA) under tariff preference arrangements. Peru has supplied the major portion of Argentine imports for several years, but Brazil, Colombia, Bolivia, Paraguay, and Mexico have also exported to Argentina in recent years. Imports have ranged from 27,000 to 85,000 bales annually. The temporary tariff reduction on cotton imports will permit a more competitive position for cotton from non-LAFTA countries within the Argentine market.

Sugar and Tropical Products

USSR Imports More Cocoa

Imports of cocoa beans into the USSR in 1970 totaled 99,900 metric tons, up slightly from the 1969 level of 98,600 tons. The 1970 imports were second only to the record 1968 volume of 109,000 tons. Ghana was the largest supplier in 1970, with 51,900 tons, followed by Nigeria and Brazil with 26,400 and 14,900 tons, respectively.

Soviet cocoa butter imports in 1970 were 8,700 tons, down from 13,500 tons in the preceding year. Brazil was the largest supplier of the 1970 cocoa butter imports, accounting for 4,800 tons.

The use of cocoa in the Soviet Union has rapidly expanded over the last decade. Soviet grindings of cocoa beans amounted to only 30,000 tons in 1960 but increased to approximately 100,000 tons by 1970. The USSR now ranks as the world's fourth largest grinder of cocoa beans.

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Foreign Agriculture

U.S.-Canadian Trade (Continued from page 7)

from the United States; and when they are surplus to Canadian needs, they may be shipped to the United States if the same type of meat is not in surplus there. In general, the flow of pork tends to be larger from north than from south.

However, the Canadian market for hogs and pork is tied more closely to that of the United States than the beef market is, because of the lower duties. Also, Canadian pork production reacts more quickly than beef to temporary grain surpluses, because hogs can be fed out so much more quickly than cattle can.

This latter point largely explains the current overproduction of Canadian hogs; high hog prices in 1969 coincided with an abundance of grain in the Prairie Provinces.

Canadians think their current surplus of pork production will be worked off by this winter. Hog prices are lower than they were last year, and the grain market has been good, so that less grain is available for feed.

Normally, hog production costs will be higher in Canada than in the United States because climatic conditions are less favorable; and grain prices will be higher—at least in eastern Canada.

However, three factors tend to offset these higher production costs. First, the unfavorable climate requires a more controlled environment. This leads to greater physical efficiency on the average than in the United States—for example, higher weaning rates and better feed conversion. Second, Canada produces a leaner hog on the average, as a result of designing production for the U.K. bacon market during World War II. Third, the Canadian grading and marketing system has provided cash incentives to the producer to raise this type of hog.

This balancing off of costs and advantages is likely to insure the return of U.S.-Canadian trade in pork and pigs to more usual levels when the current Canadian surplus melts away.

How U.S. Surcharge Affects Farm Imports

The President announced on August 15 a number of measures (including a temporary 10-percent import surcharge on agricultural and nonagricultural items) designed to ease the U.S. balance of payments problem. In making the announcement the President stated that "the rate of increase in imports will be stemmed through a broad temporary surcharge designed to achieve relatively quick benefits to our balance of trade. Accordingly, effective Monday, August 16, all dutiable imports not already subject to quantitative limitations by the U.S. will be subject to a surcharge of 10 percent."

This announcement was accompanied by Proclamation 4074 of August 15 which provides for a supplemental duty of 10 percent ad valorem (on the f.o.b. value) of all dutiable items imported into the U.S. customs territory, entered or withdrawn from warehouse for consumption on or after August 16, 1971.

The proclamation further provides that if the additional charge of 10 percent ad valorem would cause the total duty or charge payable to exceed that prescribed in the column 2 (statutory) rate of the Tariff Schedules of the United States (TSUS) then the column 2 rate would apply.

For example, if the current column 1 rate (the Most-Favored Nation or concessional rates which have been reduced through trade-agreements negotiations) is 3 percent and the column 2 rate is 5 percent, the addition of the surcharge will only bring the total up 5 percent rather than to 13 percent.

The Proclamation further states that the Secretary of the Treasury is authorized to reduce, eliminate, or reimpose the rate of additional duty or establish exemptions therefrom. Agricultural items not subject to the additional charge include: Those currently imported duty free; those subject to quantitative restrictions and those where the column 1 and column 2 rates are the same.

All other items are subject to the import surcharge for which the effective duty rate will be the present rate plus 10 percent ad valorem but not to exceed the column 2 rate.

Among agricultural items which are exempted from the surcharge in the duty-free category are coffee, bananas, a few nuts and fruits, spices, most essential oils, and natural rubber. Items excluded because of import restrictions include sugar; fresh, chilled or frozen beef, veal, or mutton (subject to the voluntary restraint program); most dairy products; wheat and flour; cotton; and peanuts. Those exempt from the surcharge because the column 2 rate is the effective rate of duty include canned hams and certain other meat products, most grains, and some fruits and vegetables.

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